

ANNUAL BUDGET 2013/ 2014

PURPOSE:

In terms of section 24(1) of MFMA, The Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.

BACKGROUND:

The budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality. The Departments have been consulted to enhance the production of a credible balance budget. The limited funds available for the IDP priorities and strategic objectives, leads to the Departments having to prioritize in line with the agreed strategies as informed by the Strategic Planning that took place on 20 to 22 May 2013. The IDP, as informed by the agreed strategies, is available and enhances alignment with the budget. New municipal budget and reporting regulations were promulgated on 17 April 2009 as per Government Gazette no. 32141. As part of the new regulations a totally new format is also prescribed in which Municipalities must submit the budget for adoption and/or approval, As Molemole complied with the new format.

Attached are the following documentations:

- Tables and Supporting Tables as prescribed..
- Council resolution
- Executive summary
- Annual budget process plan
- Integrated Development Plan
- Tariffs structure
- SDBIP
- Quality certificate

The annual budget makes provision for all the functions and responsibilities of the Molemole Municipality as provided for in the 2013/2014 financial year.

The following is a concise summary of the annual budget for the 2013/2014 Financial year.

DESCRIPTION	AMOUNT
OPERATING GRANTS	R87,801,000.00
CAPITAL GRANTS	R28,301,000.00
OWN REVENUE	R31,483,496.00
TOTAL REVENUE	R147,585,496.00
OPERATING EXPENDITURE	R106,865,686.00
CAPITAL EXPENDITURE	R40,474,395.00
TOTAL BUDGET	R147,340,081.00
SUPLUS	R245,415

Total operating revenue amounts to R119, 284,496.00 and is contained in Table A4 (Budgeted Financial Performance).

2.1 Property rates

An amount of R7, 858,467.00 is expected to be collected from Government, businesses and residential properties.

2.2 Service charges

The main components of revenue from service charges are sale of electricity R9, 177,613, refuse removal of R1, 607,480.00 and other service charges of 216,000.00.

2.3 Rent of facilities and equipment

Expected revenue for 2013/2014 amounts to R173, 410.00 from rental of building and grazing.

2.4 Interest earned

This source of revenue refers to interest earned on the investment to the amount of R644, 673.00 and the R2, 222,623.00 to be earned from outstanding debtors.

2.5 Transfers recognized - operational

Bulk from this source is from equitable share of R80,861,000.00, R1,550,000.00 from Financial Management Grant , R890,000.00 from MSIG, and remaining R4,500,000.00 from Capricorn District Municipality which gives a total of R87,801,000.00.

2.6 Agency Services

Commission on water amounts to 2,810,020.00 and sanitation amounts to 315,722.00.

2.7 Other own revenue

Other revenue amounts to R6, 457,489.00 million and consists of the following main Elements:

- Traffic fines R1, 610,595.00
- Licensing and Registration 4,005,580.00
- Other sundry income R841, 314 .00

2.8 Transfers recognized – capital

Capital grants and subsidies amounts to R28, 301,000.00 million and consist of the An allocation of R26, 301,000 MIG 2013 / 2014 allocation , R1,000,000.00 for EPWP from National Government and R1,000,000.00 from Capricorn District Municipality.

3. OPERATING EXPENDITURE

Operating expenditure amounts to R106, 865,686.00 million and is contained in Table A4 (Budgeted Financial Performance) and supported by information in Supporting Table SA1.

3.1 Employee related costs

The following were taken into consideration

- _ Provisional annual allowance increase of 6% was made for Councilors and section 57 senior managers.
- _ Provision for annual increase of 6, 85% was made for other employees.

Total employee related costs amounts to R54,183,626.55 million which represents 51% of total operating expenditure and Councilors remuneration amounts to R7,377,853.42 which represents the 7% of the total operating budget. Total employee/Councilors related costs amounts to R61, 561,480.00. The main components associated with personnel costs are contained in Supporting Table SA1.

3.2 Remuneration of Councilors

Provision of R7, 377,853 is made for councilor allowances.

3.3 Debt impairment

Debt impairment relates to the provision for working capital for an amount of R2, 540,704.00

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3.4 Depreciation

Provision for depreciation for the 2013/2014 financial year amounts to R3, 600.000.00 million and makes provision for current assets, assets to be purchased.

3.5 Bulk purchase of Electricity

A provision of R7, 885,750.00 was made.

3.6 Contracted Services

An amount of R3, 540,000.00 was made for security services.

3.7 Other general expenditure

Other general expenditure amounts to R27, 737,752.00 million and represents 26% of Total operating expenditure for the 2013/2014 financial year. Detailed information on other general expenditure is provided in Supporting Table SA1.

4.1 Capital expenditure

CAPEX PER DEPARTMENTS

TYPE	BUDGET 2013/2014	% CAPEX
CORPORATE SERVICES	1,880,000	5
PLANNING AND ECONOMIC DEVELOPMENT	200,000	0
MUNICIPAL MANAGER'S OFFICE	1,150,000	3
BUDGET AND TREASURY	1,400,000	3
COMMUNITY SERVICES	4,670,000	12
TECHNICAL : ROADS	29,524,395	73
TECHNICAL : ELECTRICITY	4	4
TOTAL OPEX PER DEPARTMENTS	40,474,395	100

Due to severe financial constraints it was recommended that the capital Budget funded by Molemole Local Municipality and equitable shares be limited

to a total amount of R13, 488,445.00.

6. Budget related policies

The following budget related policies are submitted in terms of the provisions Contained in the MFMA and MBRR. Since no changes are recommended to be made to the policies, they are submitted for cognizance and they are available on our website.

- 6.1 Asset management policy
- 6.2 Cash Management and investment policy
- 6.3 Credit control and debt collection policy
- 6.4 Supply chain management policy
- 6.5 Property rates policy
- 6.6 Budget policy
- 6.7 Virement policy
- 6.8 Petty cash policy
- 6.9 tariff policy
- 6.10 Indigent policy
- 6.11 Debt write off policy

7. Narration on Revenue projected tariffs and figures

Circular number: 67 have been used for all the revenue predictions, As stated on the Municipal Finance Management Act No. 56 of 2003 Circular number: 67 page number: 7 of 25 issued on the 12 of March 2013.

Consumer Price Index percentage has been used for the increment affected on the Municipal budgeted figures which is 5.6% for the financial year 2013 and 2014.

2013 and 2014 financial year tariffs have been increased by 5.6% besides the electricity tariffs and the Municipal Guideline tariffs which is an annexure to Circular number: 67 have been used as budgeted figures which emanated to 8% based on the below formula.

The formula used by the municipality is as follows:

$$MG = (B \times BPI) + (S \times SI) + (R \times RI) + (C \times CCI) + (OC \times OCI)$$

Where:

MG=% Municipal Guidelines increase

B=% Bulk purchases

BPI=% Bulk purchases increase

S = % Salaries

SI = % Salaries increase

R = % Repairs

RI = % Repairs increase

C = % Capital charges

CCI = % Capital charges increase

OC = % other costs

OCl = % other cost increased

Note: The budgeted tariffs for electricity are not an approved tariff approved by NERSA, the municipality still waiting for an approval.